



**DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
1000 NAVY PENTAGON  
WASHINGTON, D.C. 20350-1000**

NOV 30 2001

MEMORANDUM FOR DISTRIBUTION

Subj: DEFENSE FINANCIAL MANAGEMENT MODERNIZATION PROGRAM -  
SYSTEM INITIATIVES

Ref: (a) USD(C) memorandum of 21 Aug 31  
(b) USD(C) memorandum of 12 Oct 01

Encl: (1) Definitions  
(2) ERP Schedule

References (a) and (b) establish controls and conditions for financial and related non-financial (feeder) system investments. Specifically, the controls address new initiatives, systems under development, and currently operational systems as follows:

a. New system initiatives which have not received a Milestone A decision prior to 12 October 2001 must complete the following pre-Milestone A requirements: Business Process Review and Improvement, Mission Need Statement and Trade-off Studies.

b. Enterprise Resource Planning (ERP) pilots and other systems currently under development may continue up to and including the completion of their pilot/prototype evaluation.

c. Currently operational systems are limited to changes for priority 1 or 2 core mission issues only (note: system changes to satisfy a financial compliance requirement alone are not considered priority 1 or 2).

Priority 1 and 2 core mission issues and Milestone A decision are defined in enclosure (1).

The Under Secretary of Defense (Comptroller) (USD(C)) controls and conditions apply to all finance, accounting, and front and back end financial management systems, as well as the financial applications of non-financial (feeder) systems. USD(C) concurrence is required for all new system initiatives and systems currently under development, prior to Milestone Decision Authority (MDA) approval, or production/ deployment

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beyond the pilot/prototype stage. Systems currently under development, including ERP pilots, must undergo an independent third party assessment before presentation to USD(C). The USD(C) is the final approval authority for all non-priority 1 and 2 core mission system changes. The OASN (FM&C) (FMO) in coordination with the DONCIO is the final approval authority for priority 1 and 2 issue system changes.


In all cases, system program managers, in coordination with their financial management command representatives, must brief both this office and the Department of the Navy Chief Information Officer (DONCIO) before further action may be taken. Under no circumstance should components or MDAs allow any financial or related non-financial (feeder) system change, initiative, or development to enter into a Milestone A decision, production, or deployment without this office's concurrence/ approval. This office, in concert with the DONCIO, will coordinate any subsequent briefing with the USD(C). Briefing requirements and format will be provided under separate cover.

With regard to the Department of the Navy's ERP pilots, briefings to the USD(C) should be planned after the completion of third-party testing and interoperability testing. Planned testing and briefing dates are provided in enclosure (2) for each pilot.

The requirements addressed above are in addition to, and not in lieu of, any other defense acquisition policy and Clinger-Cohen Act certification requirements. My point of contact for this matter is Mr. William Aldrich at (202) 685-6731 or e-mail [aldrich.william@fmo.navy.mil](mailto:aldrich.william@fmo.navy.mil).

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## **Priority 1 and 2 Core Mission Issue Definitions**

### **Issue Prioritization:**

Issue prioritization is defined by the Institute of Electrical and Electronic Engineers 12207.2, "Standard for Information Technology - Software Life Cycle Process"

A priority 1 issue is one that would (a) prevent the accomplishment of an essential capability, or (b) jeopardize safety, security, or other requirement designated "critical".

A priority 2 issue is one that would (a) adversely affect the technical, cost or schedule risks to the project or to life cycle support of the system, and no work-around solution is known.

### **Milestone A Decision:**

The Department of Defense Instruction 5000.2 defines a Milestone A decision as the approval to enter into the Concept and Technology Development phase.

## Enterprise Resource Planning Schedule

Planned Testing and Briefing Dates for each DON Pilot

	<b>SPAWAR Cabrillo</b>	<b>NAVSEA NEMAS</b>	<b>NAVSUP SMART</b>	<b>NAVAIR SIGMA</b>
<b>Third-party Testing</b>	January 2002	June 2002	April 2002	March 2002
<b>Inter- Operability Testing (JITC)</b>	January 2002	June 2002	April 2002	March 2002
<b>Brief to USD(C)</b>	March 2002	August 2002	June 2002	May 2002